

OUR WISCONSIN RETIREMENT SYSTEM

Strong for Wisconsin





*ETF executive team:
Pam Henning, Assistant Deputy Secretary; Bob Conlin, Secretary; and John Voelker, Deputy Secretary.*

Wisconsinites should be proud to have a strong public pension system – one of the best funded in the country. The continued due diligence and oversight of policymakers and sound funding principles keep our Wisconsin Retirement System capable of paying promised benefits long into the future.

Today more than 648,000 current and former state and local government employees and their families rely on the WRS for some of their retirement security. These individuals, along with their employers, contribute to the WRS throughout their careers.

Public employees provide crucial health, education, safety, transportation and other services in our communities. And in return, the WRS provides a modest retirement income; the median annual pension is \$21,923. The WRS pays nearly \$5.6 billion in benefits annually – a large portion of this money gets spent in Wisconsin by the more than 85% of retirees who live here.

In these pages we've provided some useful information about the WRS. I encourage you to get better acquainted with why the WRS is strong for Wisconsin.

Sincerely,

Robert J. (Bob) Conlin
Secretary
Wisconsin Department of Employee Trust Funds

WISCONSIN STATUTE CHAPTER 40

The WRS trust funds were created to:

- Protect public employees and their beneficiaries against the financial hardships of old age and disability.
- Attract and retain a qualified public workforce.
- Establish modest and portable benefits to move with employees throughout their careers into retirement.
- Achieve administrative expense savings.

\$112.1 BILLION
IN ASSETS

9th LARGEST
IN THE USA

25th LARGEST
IN THE WORLD

With approximately \$112.1 billion in assets, the WRS is the 9th largest U.S. public pension fund and the 25th largest public or private pension fund in the world. There are more than 648,000 individuals who participate in the WRS.



annuitants
(retirees, disability
and beneficiaries)



former public employees
with deferred benefits



1,516

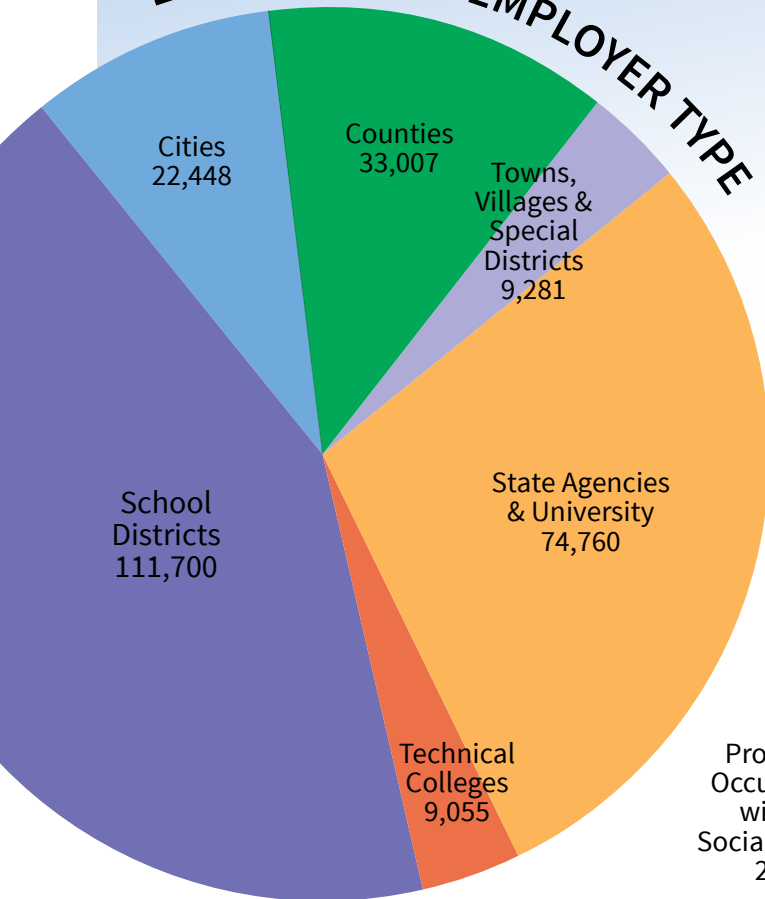
state and local
government units
throughout Wisconsin



260K

public employees in
Wisconsin's state agencies,
University of Wisconsin
System, technical colleges
and school districts, cities,
counties, and local units
of government

EMPLOYEES BY EMPLOYER TYPE



EMPLOYEES BY EMPLOYMENT CATEGORY

Protective
Occupations
without
Social Security
2,768

Executive/Elected
1,322

Protective
Occupations
with Social
Security
19,665

General
134,166

Teachers
102,330





WRS: Well Designed = Well Funded

The WRS is a hybrid defined benefit plan. It contains elements of both a 401(k) or defined contribution plan and a defined benefit plan. The WRS is a strong public pension plan because of its stable funding, unique plan design and robust governance. These factors set the WRS apart from the vast majority of other plans in the United States.

Although a number of plans are near or above 100% advance-funded, on average the funded level in 2018 was 73%; 18% were less than 60% funded. The WRS is 100% funded.

Here are a few reasons why the WRS is successful:

PRE-FUNDED

- Contribution rates are determined annually by an independent actuary.
- Amounts paid by both employees and employers are paid in full, not deferred into the future.
- Funds are invested for longer periods, which minimizes the chances that one generation will have to pay for the obligations of another.

Pre-funding calculation:

$$\begin{array}{ccccc} \text{B} & = & \text{C} & + & \text{I} & - & \text{E} \\ \text{Benefit} & & \text{Contributions} & & \text{Investment} & & \text{WRS} \\ \text{payments} & & & & \text{earnings} & & \text{administrative} \\ & & & & & & \text{expenses} \end{array}$$

“Wisconsin has done a very good job of keeping contribution rates stable.”

— GRS & Company, WRS consulting actuary

SHARED COSTS & SHARED RISKS

Investment risks and costs of the WRS are shared between government employees, employers (taxpayers) and retirees. Unlike members of other public pension plans, WRS employees and retirees bear most of the risk.

- Contribution rates are generally split evenly between employees and employers and adjusted annually, ensuring full funding of future benefits.
- Post-retirement adjustments (dividends) depend on investment performance and can be reduced based on annual investment returns.
- No guaranteed cost of living adjustments or COLAs.
- Annuities cannot be reduced below the original amount set at retirement.

FINANCIALLY SOUND

The financial strength of the WRS ensures that benefit promises made today can be kept without burdening future generations.

- **Sustainable** – Assets are sufficient to pay all benefits when due.
- **Contribution Stability and Predictability** – Employee and employer annual pension contributions are paid in full and the contribution rates have remained stable over time.
- **Intergenerational Equity** – The cost of benefits are paid by those who receive the benefits, not passed on to the next generation.
- **Realistic Rate of Return on Investments** – An assumed rate of return of 5.0% for retirees and 7.0% for active employees is used to determine plan liabilities. These rates are lower than the national median of 7.25%.
- **Modest Benefits** – The median annual retirement benefit is \$21,923.

Funds to pay pension benefits are generated from three sources:

1. Employee Contributions
2. Employer Contributions
3. Investment Earnings





Investment earnings
comprise approximately

80%

of revenues needed to fund the WRS

“While it is a misconception to hold that there is a one-size-fits-all solution to plan design and financing, there are core principles that are pervasive among public retirement plans: mandatory participation, shared financing, benefit adequacy, pooled investment and longevity risks, and lifetime benefit payouts.”

— National Association of State
Retirement Administrators

WRS: Well Managed

WRS pension benefit and administrative expenses are paid from the WRS trust funds, not from general state operating revenues.

- **Low Administrative Costs** – The WRS spends \$11 less than the peer average of \$98 per active member and annuitant.
- **Low Cost for Taxpayers** – Wisconsin state and local governments spend 2.1% of their budgets on the WRS, compared to the national average of 5.2%*. No general taxes are required to support the WRS.
- **Low Unfunded Liabilities** – Wisconsin is 1 of 3 states with the lowest levels of unfunded liabilities or long-term debt for public employee pensions.
- **Strong Investment Earnings** – The State of Wisconsin Investment Board professionally and prudently manages and invests the assets of the WRS. Approximately 80% of WRS benefits paid come from investment earnings.
- **Efficient** – The WRS provides lifetime benefits by pooling mortality and other risks for more than 648,000 participants.

*percentages include City and County of Milwaukee



"You know you're in the right job when you go to work every day and say to yourself that you get to serve the citizens of this county. I welcome the challenge of providing safe roads for people to travel. There is a great deal of satisfaction in exceeding the public's expectations when it comes to the quality of service that we can deliver to improve the quality of everyone's lives."

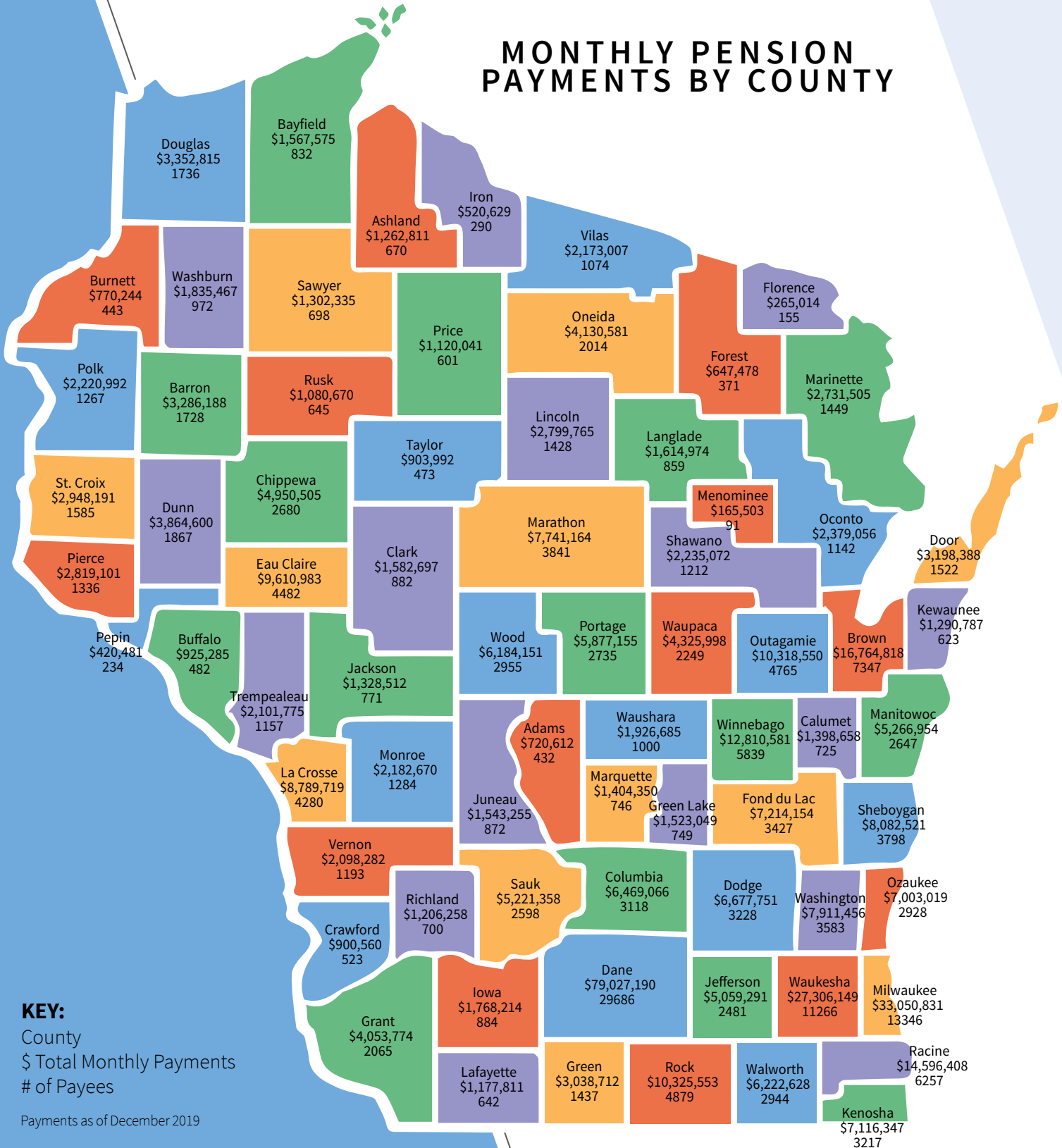
Jim, Fond du Lac County employee and WRS Member



WRS: Economic Impact

A well-funded and well-managed retirement plan is not only good for employees, it's also good for Wisconsin. More than 85% of WRS pensions go to retirees living in Wisconsin, who purchase goods and services and pay taxes.

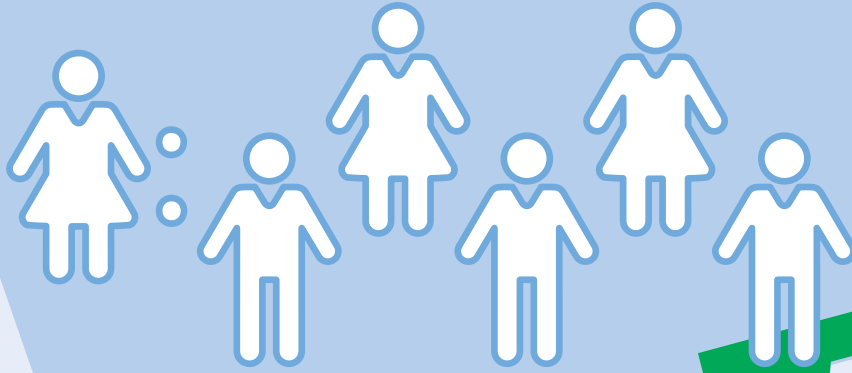
MONTHLY PENSION PAYMENTS BY COUNTY



KEY:
County
\$ Total Monthly Payments
of Payees

Payments as of December 2019

WRS Creates Jobs, Supports Wisconsin's Economy



1 in 5 Wisconsin residents are either a WRS member or are affected by the WRS as a family member.



Expenditures from public pensions supported 53,011 jobs in Wisconsin that paid \$2.7 billion in wages and salaries, and generated \$1.6 billion in federal, state and local tax revenues.*



\$2.7 Billion



The WRS paid \$5.6 billion in benefits in 2019.



\$1.6 Billion

*Pensionomics 2021: Measuring the Economic Impact of DB Pension Expenditures, report by the National Institute on Retirement Security

WRS: Strong Public Workforce

The WRS is an important incentive for qualified workers to choose and stay in public service. Employees often accept lower wages now for future retirement compensation.

The 1,516 state and local government employers participating in the WRS understand the value of a well-funded and well-managed retirement plan. Additional local government employers continue to join the WRS. Over the past 5 years, 54 local governments have chosen to join the system.

At a time when state and local governments are struggling to attract and retain employees to deliver vital taxpayer services, a new national poll finds that retirement and healthcare benefits are critically important job features, more so than salary. These benefits are viewed as a powerful recruitment and retention tool, with nearly all state and local workers (93%) saying that pensions incentivize public workers to have long public service careers, and 94% agreeing that a pension is a good tool for both attracting and retaining employees.

— National Institute on Retirement Security, State and Local Government Employee Views on Their Jobs, Compensation and Retirement

The WRS benefits package is a valuable recruitment tool available to the State of Wisconsin, local governments, technical colleges and school districts throughout the state.

AVERAGE WRS RETIREE

60

Retirement Age

21

Years of Service

\$21,923

Median Annual Benefit

EMPLOYEES BY EMPLOYER TYPE

29%
State
Government

71%
Local
Government

AVERAGE YEARS OF SERVICE

10.0
General

12.6
Teachers

13.9
Protective without
Social Security

12.0
Protective with
Social Security

13.7
Executives &
Elected

Ramzan, a retired WRS member, enjoyed his career as a state facilities engineer. Throughout his working years, he was able to maximize his WRS pension by making additional contributions to his account, thereby contributing to a secure and stable income for his retirement years.





Check out ETF's Government Relations page for:

- Proposed Wisconsin legislation and laws affecting the WRS and ETF
- Federal issues and legislation
- WRS fact sheets, studies and reports
- National trends and research
- ETF action items

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